

# HARRIMAN'S POWER SHOWN IN REPORT

CONTINUED FROM PAGE ONE.

Kansas City), and various branches extending into the territory on each side of these main lines. Previous to the reorganization the old company had control, through stock ownership, of the Oregon Short Line, Utah Northern Railway, and the Oregon Railroad and Navigation Company.

These companies were also reorganized, and shortly after the foreclosure sale the Union Pacific Railroad Company acquired by stock ownership the control of these companies, and has since acquired substantially all their stock. The Oregon Short Line owns the lines of railway from Granger, Wyo., on the Union Pacific, to Huntington, Oreg., and from Salt Lake City to Butte, Mont. The Oregon Railroad and Navigation Company owns the lines from Huntington, Oreg., to Portland, Oreg., together with a number of important branch lines in the States of Washington, Idaho, and Oregon.

Prior to the acquisition of the control of the Southern Pacific by the Union Pacific the Oregon Railroad and Navigation Company also owned and operated a line of steamers from Portland to San Francisco, and a line of steamers from Portland to Japanese and Chinese ports.

## Growth of Six Years.

The Union Pacific also owned one-half the stock of the Occidental and Oriental Steamship Company, which owned and operated a line of steamers plying between San Francisco and Oriental ports. The report says:

"With these properties as a nucleus, and with the credit based on these assets, the Union Pacific has in the past six years so grown in power and influence that at this time it controls every line of railroad reaching the Pacific Coast between Portland on the north and the Mexican border on the south, a distance as great as that from Maine to Florida, excepting alone the Santa Fe line, in which it has a large stock interest, and of its ability to 'take' this road at any time the law will permit. Mr. Harriman expresses no doubt. Among the lines thus brought under the same control, in addition to the Union Pacific, Oregon Railroad and Navigation Company, and Oregon Short Line, are these:

"The San Pedro line, running from Salt Lake City, through Los Angeles, to San Pedro Harbor, on the Pacific Coast, projected and begun by Senator Clark as an independent line, which Mr. Harriman stopped and absorbed.

## Lines Held by Southern Pacific.

"All the lines of the Southern Pacific Company (a holding corporation), including:

"The Southern Pacific, 'Sunset Route,' running by two routes from San Francisco to Los Angeles, and thence through Arizona, New Mexico, Texas, and Louisiana to New Orleans, with many extensive branches.

"The Central Pacific 'Ogden Route,' running from Ogden to San Francisco and from Roseville (near Sacramento) to the Oregon State line, with several branches.

"The Oregon and California Railroad, running from Portland to the California State line, which, with the Central Pacific's 'Shasta Route,' connects Portland with San Francisco.

"In addition, the Union Pacific controls every regular line of trans-Pacific steamships operated out of the Pacific Coast ports south of Puget Sound, also the Pacific Mail Line, plying between San Francisco and Panama, and the Morgan Line of freight and passenger carriers, operated between New York City, Havana, New Orleans, and Boston.

## Controls Vast Mileage.

"Mr. Harriman may journey by steamship from New York to New Orleans, thence by rail to San Francisco, across the Pacific Ocean to China, and, returning by another route to the United States, may go to Ogden by any one of three rail lines, and thence to Kansas City or Omaha, without leaving the deck or platform of a carrier which he controls and without duplicating any part of his journey.

"He has further what appears to be a dominating control in the Illinois Central Railroad, running directly north from the Gulf of Mexico to the Great Lakes, paralleling the Mississippi River; and 2,000 miles west of the Illinois Central he controls the only line of railroad paralleling the Pacific Coast and running from the Columbia River to the Mexican border.

"Within a year his sphere of influence has extended eastward; the Union Pacific and Oregon Short Line have acquired 18.2 per cent of the stock of the Baltimore and Ohio, at a cost of \$45,462,500 and have invested \$19,634,324.93 in New York Central and Hudson River stock. "That it is only the Union Pacific which prevents the concentration into Mr. Harriman's hands of every railroad line lying between Canada and Mexico is the frank admission of Mr. Harriman himself made at the hearing.

## Unification the Aim.

The report states that it was the Harriman policy to gather under one head all existing transportation lines, or as many as possible, and to exclude the incoming of all competitors. For this \$100,000,000 of convertible bonds were issued by the Union Pacific. With the proceeds of these bonds the Union Pacific purchased control of the Southern Pacific Company, and a majority of the outstanding stock of the Northern Pacific, which latter incidentally carried with it control of one-half of the stock of the Chicago, Burlington and Quincy, the stock of which had been purchased jointly by the Northern Pacific and Great Northern companies and their collateral trust bonds issued therefor.

Possession of these lines would have given to the Union Pacific absolute mastery over every avenue leading to the Pacific Coast within the United States save that afforded by the Great Northern Railroad upon the northern border of the country and that afforded by the Santa Fe upon the southern.

"This plan, if executed, would have subjected to a common will and policy," the report says, "nearly one-half of the territory of the United States—a comparatively undeveloped, rapidly growing, and extremely rich territory, into which must necessarily extend the population and business of the Eastern States."

## Stopped by the Court.

The control of the Northern Pacific and the Burlington by the Union Pacific was prevented by a decision of the United States Supreme Court. Speaking of Union Pacific's control of the Southern Pacific, the report says:

"Whereas, formerly the two companies had separate commercial agents in the principal cities throughout the United

# MAP SHOWING THE HARRIMAN LINES



Solid lines—Union Pacific, Southern Pacific systems, and San Pedro Line. Dotted lines—Illinois Central System. Dash lines—Routes of water carriers operated in connection with Southern and Union Pacific.

States soliciting traffic over their respective lines, they now have common agents and solicitors who represent the unified Union Pacific and Southern Pacific system."

"It is claimed by the Union Pacific," continues the report, "that the principal reason for acquiring the Southern Pacific was to obtain the Central Pacific connection from Ogden to San Francisco. It is undoubtedly true that this is a desirable connection for that company; but, whether purchased or not, the Central Pacific is required to form a through line of transportation with the Union Pacific, and not to discriminate against it in the receipt and transportation of freight and through traffic."

The report declares that there is a consideration of national policy arising out of the history of the Union Pacific, the Central Pacific, and the Southern Pacific roads which distinguishes a combination of such roads.

## Backed by the Nation.

"The Union Pacific and the Central Pacific," it says, "were born out of a national sentiment and need. The nation felt the necessity for rail connection to its isolated Pacific Coast territory, and for this purpose, and to an unprecedented degree, pledged its own credit and donated its own lands to create a national highway between the Missouri River and the Bay of San Francisco. In every statute passed by Congress affecting these two roads there is to be found proof of the existence of such a policy. They were to be built toward each other—one from the East and one from the West—and were to form one continuous line, which was to remain for all time available to the business and governmental necessities of our people."

There is then quoted in the report the act of June 20, 1874, which provides that "any officer or agent of the companies" (Central Pacific, Western Pacific, Union Pacific, Kansas City and Denver Pacific) "authorized to construct the aforesaid roads, or any company engaged in operating said roads, who shall refuse to operate and use the road or telegraph lines, or who shall refuse to use the same in operation and use to afford and secure to each of said roads equal advantages and facilities as to rates, time, transportation," etc., is deemed guilty of a misdemeanor and punishable by fine not exceeding \$1,000 and by imprisonment not less than six months.

## Under Public Obligation.

"The fact that the Union Pacific and Central Pacific companies were thereafter separately reorganized under the laws of Utah and acquired these lines do not relieve them from the public obligations imposed by the acts of Congress," continues the report. "The Union Pacific was, therefore, forever guaranteed, without purchase, a connection with the Central upon terms as favorable as might be given to any other connection." The commission, in framing its report, paused for a while to praise Harriman, as follows:

"It has been, however, no part of the Harriman policy to permit the properties which were brought under the Union Pacific control to degenerate and decline; as railroads they are better properties to-day than they were when they came under that control. Large sums have been generously expended in the carrying on of engineering works and betterments which make for the improvement of the service and the permanent value of the property."

## The Commission Tells How.

The commission tells how the San Pedro, the road built by former Senator William A. Clark, of Montana, came under the control of Harriman. This transaction has been outlined heretofore. The San Pedro and the Union Pacific entered into an agreement whereby the two roads maintained the same rates, charges, and classifications on competing business.

## Agreement Now Abrogated.

The roads contended that the agreement covered only business within the State of California. The agreement was abrogated in April on the ground that the legislature of California at its last session enacted a statute prohibiting contracts in restraint of competition.

The commission acquits at another possible violation of laws in the control of the Union Pacific and the Rock Island over the Chicago and Alton.

Harriman's dealings with the Alton is treated at great length. No new light is thrown on this particular transaction. The report refers to the Alton deal as "a defensible financial."

"By way of justification or excuse," the report says, however, "we are told that the methods of the financing of railroads which prevailed in the year 1890 are now obsolete, owing to a higher degree of conscientiousness among financiers, and, moreover, that the Chicago and Alton should not be regarded as an isolated instance, inasmuch as it was dealt with much as many other roads were at that period. The first of these statements is, we trust, true; the latter statement is not calculated to uphold the value of American railroad securities."

"It is true, however, as contended, that a close examination of the method of capitalization adopted in the case of the Chicago and Alton shows that while the total of bonds and stocks was doubled, there was no such proportionate increase in the fixed charges of the railroad."

## Fixed Charges Not So Great.

"Under the Blackstone management, when 8 per cent was paid on the stock and but a small bonded debt rested on the property, the yearly charges for dividends and interest amounted to \$2,792,986, whereas with the greatly increased present capitalization the yearly fixed charges amount to but \$3,471,500. This, of course, takes no account of the present common stock, upon which no dividends are paid. The plan adopted was to substitute long-term bonds and guaranteed stock bearing an exceptionally low rate of interest for common stock which paid



Edward H. Harriman.

a large dividend and for bonds about to mature bearing a high rate of interest. Thus the property was not burdened with an interest payment proportionate to the increase in capitalization, no matter how great the profits made from the reorganization. However, these bonds must some time be paid; they live for fifty years or more, and the stock will control a property which it did little, if anything, to create.

## Brokers' Huge Profits.

Kuhn, Loeb & Co.'s connection with the Alton deal is referred to in this wise: "Incidentally, it may be observed that the bankers who manage these operations appear to be richly rewarded. The testimony shows that Kuhn, Loeb & Co. received 5 per cent, or \$5,000,000, on the issue of \$100,000,000 of Union Pacific convertible bonds, one-half of which was retained by them, and the other half given to the syndicate to whom the bonds were sold. On the \$5,000 shares of Southern Pacific which the Union Pacific purchased at \$20.61 per share, the same banking house received a commission of \$250 a share. They received a like commission of \$250 per share on the Chicago and Alton stock, sold to the Union Pacific at \$85.50 per share. It is significant that a member of this firm refused to disclose the extent of its interest in these securities."

The conclusions of the commission are as follows: "The effect of the control of the Southern Pacific by the Union Pacific has been to unify and amalgamate the management of these two railway companies and their steamship lines, and to eliminate competition between them in transcontinental business and in business to and from Oriental ports."

## No Competition Here.

"The Union Pacific, as has been shown, controls the San Pedro, Los Angeles and Salt Lake Railroad, the stock of which is deposited in the hands of a trustee. This line was originally intended as an independent road, extending from Salt Lake, where it connects with the Union Pacific and with the Denver and Rio Grande, to Los Angeles and San Pedro, Cal. There is therefore no competition between this line and the Union Pacific and Southern Pacific."

"It appears that the Union Pacific also owns \$10,000,000, par value, of the stock of the Atchafalaya, Topeka, and Santa Fe Railway Company, and about \$30,000,000 more is owned by individuals connected with the Union Pacific, making \$40,000,000, or substantially 17 per cent of the entire capital stock of the Santa Fe. Who owns this stock, outside of \$10,000,000, Mr. Harriman declined to state. Two directors of the Union Pacific are also directors of the Santa Fe company; and there is now a division of the Oriental traffic by the Pacific Mail Steamship Company between the Union Pacific and the Santa Fe systems."

## Trust Traffic Divided.

"It appears that there has also been a division of the fruit traffic between certain California territory and the East, each taking a certain percentage; and that

north of San Francisco the Union Pacific and the Santa Fe have joined and amalgamated their interests in the Northwestern Pacific Railroad, and that a joint control has been inaugurated similar to that of the Alton."

"Prior to the acquisition of the Southern Pacific by the Union Pacific, the Denver and Rio Grande System, extending from Denver, where it connects with various lines to the East, to Salt Lake and Ogden, was given equal facilities over the Central Pacific, and thereby practically formed another transcontinental line. Since the amalgamation of the Union Pacific and Southern Pacific and the construction of the San Pedro road, this line has been denied equal facilities in the receipt and transportation of freight over the Central Pacific and the San Pedro lines. Its business, therefore, has decreased, and its ability to compete with the Union Pacific and Southern Pacific impaired. On this account, the Gould lines are aiding the construction of another line from Ogden to San Francisco."

## Effect of Joint Control.

"The joint control of the Alton Railway by the Union Pacific and the Chicago, Rock Island and Pacific Railway Company has undoubtedly eliminated competition between the Alton and the Rock Island between Chicago, St. Louis, and Kansas City."

"These are conspicuous illustrations of the development of the theory of 'community of interest' and 'harmony of management,' which Mr. Harriman suggested when he demanded representation upon the Santa Fe board."

"If the policy of purchasing and controlling stocks in competing lines is permitted to continue, it must mean suppression of competition."

Recommendations of general policy are made as follows:

"The function of a railroad corporation should be confined to the furnishing of transportation. Railroads should not be permitted to invest generally in the stocks, bonds, and securities of other railways and steamship companies, except connecting lines for the purpose of forming through routes of transportation, including branches and feeders."

"It is in the interest of the public to facilitate the consolidation of connecting lines. The credit of a railway company is founded upon the resources and prosperity of the country through which it runs. Its surplus funds and credit should be used for the betterment of its lines and in extensions and branches to develop the country contiguous to it. The testimony taken upon this hearing shows that about 20,000 square miles of territory in the State of Oregon, surrounded by the lines of the Oregon Short Line Railroad Company, the Oregon Railroad and Navigation Company, and the Southern Pacific Company, is not developed; while the funds of those companies which could be used for that purpose are being invested in stocks like the New York Central and other lines having only a remote relation to the territory in which the Union Pacific system is located."

"Railroad securities should be safe and conservative investments for the people. To this end the risks of the railroad should be reduced to a minimum. Every one knows that railway securities fluctuate more or less, according to the prosperity of the times, and also by reason of the wide speculation in such securities."

"It therefore adds an element of hazard to a railroad's capital and credit to have its funds invested in the stocks of other companies, thereby endangering its dividends and its ability to pay reasonable dividends upon its own capital stock. It is a serious menace to the financial condition of the country to have large railway systems fall to meet their obligations or go into the hands of receivers, and the object of legislation and administration should be to lessen the risks of railway investments."

"It is contrary to public policy, as well as unlawful, for railways to acquire control of parallel and competing lines. This policy is expressed in the Federal laws and in the constitutions and laws of nearly every State in the Union. We have examined the constitutions and laws of all the States, and find in about forty of them prohibitions against consolidation of capital stock or franchises of competing railways, or the purchase and acquisition by a railway of competing lines."

"Competition between railways as well as between other industries is the established policy of the nation. And while the acquisition of a small minority of the stock of a competing line might not decrease the competition, yet the acquisition of any considerable amount of stock, with representation on the board of directors of such railway, unquestionably has the effect of diminishing competition and lessening to that extent its effectiveness. So long as it is the policy of the general government and of the States to maintain competition between naturally competing lines, the ownership of any stock by one railway in a competing railway should not be permitted, and such lines of railway should be prohibited from having any common directors or officers."

"The time has come when some reasonable regulation should be imposed upon the issuance of securities by railways engaged in interstate commerce. We are aware that in the construction of new lines of railways developing new territory it has been necessary in many instances to sell railway securities at large discounts, and to sell bonds with stock bonuses, and even in such cases it has many times been difficult to raise the necessary capital. Men will not invest their money and take the risk for small rates of interest."

# HARRIMAN PUT OUT

Declares Interstate Commission's Report Biased.

CALLS IT PERSONAL PURSUIT

Railroad Magnate Says Finding Is Political Document—Will Study Matter Carefully and Have Something to Say About It Later—Full of Strange Statements and Errors.

New York, July 13.—Edward H. Harriman to-night issued the following statement, after being apprised of the general character of the Interstate Commerce Commission's report on his railroads: "From what I am told the report is a political document, and a part of a personal pursuit of me. The tone of the report and the method of its promulgation show that."

"Imagine a court or any judicial body sending copies of its decisions around secretly to newspaper publishers days in advance, under pledge to publish it simultaneously Sunday morning. That is what the commission did. Their opinion was put in type several days ago and sent to newspapers throughout the country, with the following printed in bold type at the head: 'Confidential. To all newspapers! This report is released for publication on Sunday morning, July 14, 1907, and not before.'"

## Deemed Good Politics.

"It is deemed good politics to attack me. But I can stand it much better than the people of this country can stand that sort of procedure on the part of government tribunals charged with the duty of impartially administering the laws."

"I shall study it carefully and have something to say about it later. But from what I'm told it is full of strange misstatements of fact. For example, in reference to the Chicago and Alton, it says that I caused about \$12,000,000 to be credited to construction expenditures, in order to find an excuse for borrowing money to pay dividends. As a matter of fact, that was a written recommendation made by President Pelton when I was in Alaska, and it was adopted by the board of directors at a meeting at which I was not present."

## Suggestion Most Unfair.

"Again, it is said that a certain method of accounting that was carried out would have the effect of covering up the payment of the special dividend, thereby intimating some wrongful concealment. This is a most extraordinary statement for the writer of the reports to make, when it is considered that the stockholders necessarily knew of the dividend because every one received his share, and that it was published in every financial journal at the time, and was reported to the stock exchange and shown on its printed lists. The suggestion, therefore, of any reason or desire for concealment is most unfair."

## Weather Conditions.

U. S. Dept. of Agriculture, Weather Bureau.

Thunder showers continued in the South Atlantic and Gulf States, and they also occurred generally in the Dakotas and Montana, and locally in Nebraska, Kansas, and Colorado. Eight inches of rain fell at Vicksburg during the last twenty-four hours, of which 5.8 inches fell during the twelve hours ending at 8 a. m. Saturday. In the Central valley, the North and East, and the extreme West the weather was mostly fair. Temperatures, as a rule, slightly below the season's average, except in Nebraska, Kansas, and the Southwest, where they were comparatively high.

## Local Temperature.

Midnight, 69.2 a. m., 67.4 a. m., 65.4 a. m., 65.4 a. m., 63.1 a. m., 74.12 noon, 75.2 p. m., 80.4 p. m., 78.6 p. m., 79.8 p. m., 75.10 p. m., 80. Maximum, 84. Minimum, 61.

## Relative Humidity.

Relative humidity—5 a. m., 71.8 p. m., 71. Hours of sunshine, 13. Per cent of possible sunshine, 80.

## Condition of Water.

Special to The Washington Herald. Harpers Ferry, W. Va., July 13.—Potomac muddy and streamgates clear.

## Temperatures in Other Cities.

Temperatures in other cities, together with the amount of rainfall for the twelve hours ended at 8 p. m. yesterday, are as follows:

City	Max.	Min.	8 p. m.	Rainfall
Asheville, N. C.	82	64	74	0.10
Atlanta, Ga.	82	65	70	0.10
Atlantic City, N. J.	76	61	65	0.00
Bismarck, N. Dak.	82	62	68	0.00
Boston, Mass.	82	62	78	0.00
Buffalo, N. Y.	72	58	68	0.00
Chicago, Ill.	84	62	78	0.00
Cincinnati, Ohio	80	62	78	0.00
Denver, Colo.	84	62	74	0.00
Des Moines, Iowa	81	61	67	0.00
Galveston, Tex.	82	62	78	0.00
Holmes, Mont.	72	50	70	0.00
Indianapolis, Ind.	80	62	78	0.00
Keokuk, Ia.	81	62	78	0.00
Kansas City, Mo.	88	60	81	0.00
Little Rock, Ark.	80	73	81	0.00
Marquette, Mich.	84	64	81	0.00
Memphis, Tenn.	85	68	81	0.00
New Orleans, La.	88	78	81	0.10
New York, N. Y.	80	61	72	0.00
North Platte, Neb.	82	61	80	0.00
Omaha, Neb.	81	65	82	0.06
Pittsburg, Pa.	76	56	74	0.00
Salt Lake City, Utah	81	61	78	0.00
St. Louis, Mo.	81	63	80	0.00
St. Paul, Minn.	81	62	80	0.00
Springfield, Ill.	85	62	78	0.00
Vicksburg, Miss.	84	68	72	0.92

## One of the best selected programmes

of the season was played yesterday afternoon by the Marine Band at the White House Lot.

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# NEWS CUT SHORT FOR BUSY READERS.

The combined Italian societies of Washington will hold memorial services at the Columbia Theater to-night in honor of Garibaldi.

The Penn Bridge Company, which is constructing the Finney Branch bridge, paid \$1,500 to the clerk of the court yesterday in aggregate fines for three violations of the eight-hour law.

Loss of beer was lost yesterday when an ammonia tank in the local establishment of the Schlitz Brewing Company, in D street, exploded, causing a damage of \$500. No one was injured.

An inspection of the Bureau of Engraving and Printing was made yesterday by Secretary Cortelyou, accompanied by his private secretary, Mr. Weaver.

A. R. Wiggins, registrar of the Catholic University, has been appointed private secretary to Commissioner General of Immigration and Naturalization Frank P. Sargent. The salary is \$1,800 a year.

Commissioner Morrow yesterday recommended that \$8,500 be set apart as an allotment for the pay of drivers of field wagons, maintenance of horses, mules, wagons, and harness in the sewer division.

Gen. Oliver, Assistant Secretary of War, left last night to join Secretary Taft at Murray Bay, Canada. He will be absent several weeks. Gen. Ainsworth acting as Secretary of War in the meantime.

Commissioner West visited the new bathing beach yesterday, and was greatly displeased at the delay in its completion. He told the contractor that unless he made greater speed he would take the contract from him.

Edward H. Gibson, by his will, dated March 12, 1898, and filed for probate yesterday, names his wife, Mrs. Rhoda Gibson, as sole beneficiary. Edwin H. Grant and Willis W. Fisher are named as executors. Mr. Gibson died July 9 last.

Charles Claveloux yesterday began suit against Patrick J. Drury for the recovery of \$5,00